Observations on
Key National Performance Indicators

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The Number-Crunchers' Fallacy: Anything that cannot be counted is unimportant and anything that can be counted is important.

There are over 500 societal performance reports of one sort or another listed at the website (http://iisd1.iisd.ca/measure/compindex.asp).

The process of developing a societal performance report is at least as important as the report itself.

People's actions are determined not only by how things are, measured by relatively objective indicators, but by how they are perceived and evaluated to be, measured by subjective indicators.

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Introduction

The purpose of this paper is to compare and contrast the leading integrated performance systems on a national, international and state level. This analysis covers organizational, procedural, technological, methodological (e.g., criteria for indicator selection) political and other relevant dimensions (e.g., the goals for the effort and targeted audiences and benefits); relative strengths and weaknesses; breadth and depth of coverage; as well as assessing aggregation strategies. The paper concludes with some high level observations about implications for the U.S. of the experience of these other systems and potential areas for further research.

Early Work and Some Overview Studies

People often date the beginning of work on societal performance indicators with efforts in the United States, and more specifically, with the Great Society and the report, *Toward a Social Report* (1969). It would be more appropriate to begin with Herbert Hoover's efforts and the report called *Recent Social Trends in the United States* (1933). We need not spend any time on that document, but it is worthwhile to see that a list of

important social, economic and environmental issues prepared 70 years ago during the depression years is very similar to lists prepared today.

Two summary reports of societal performance indicators are worth mentioning here: Berger-Schmitt and Jankowitsch (1999) and Hass, Brunvoll and Hoie (2002). Both are excellent summaries that focus on describing the contents of the reports in terms of topics covered, without attempting evaluations of how well anything is covered. Berger-Schmitt and Jankowitsch thought that "the indicator systems are missing a real theoretical foundation which defines the concept of welfare used and explains the relations between the various components" (p.11). Since there is no generally accepted definition of a "scientific theory" (Michalos 1980a), this may not be a very serious complaint.

Hass, Brunvoll and Hoie review sustainable development reports from 30 countries plus some international agencies, and actually list the indicators included in the reports for 12 countries and 3 international agencies. The indicators of the German report are not listed, but there are nearly 400 listed in GESIS (2003), including objective and subjective indicators. All things considered, the *German System of Social Indicators* provides a good model for a national performance report, including objective and subjective economic, environmental and social indicators. The French report has 307 indicators, and those for Denmark, Portugal, Switzerland and the U.K. have over 100 each. Out of all the indicators listed, it appears as if the only subjective indicators used are 29 in France and 3 in the U.K. Notably, the only report that mentions "the arts" is the American report (i.e., U.S. Interagency Working Group on Sustainable Development Indicators, 2001). Taxes are almost totally neglected in all the reports except for one or two mentions of "green taxes".

Hass, Brunvoll and Hoie say that their report covers "national sets of indicators covering the three pillars of sustainability (economic, social and environmental)", and that several countries followed the Bellagio Principles in selecting their indicators (pp.4-6). These 10 Principles are worth repeating here: (1) guided by a clear vision and goals; (2) review of the whole system as well as its parts and recognition of the interaction among the parts; (3) consider equity and disparity within the current population and over generations; (4) adequate scope; (5) practical focus; (6) openness; (7) effective communication; (8) broad participation; (9) ongoing assessment, and (10) institutional capacity.

The two international reports, United Nations Population Fund (UNFPA) *State of the World Population 2002* and United Nations Children's Fund *The State of the World's Children 2000* do not add anything, methodologically speaking, to what we already have. They are fairly straightforward statistical yearbooks. The 48 indicators related to the 8 goals of the UN *Millennium Indicators Database* are more relevant to developing countries than to the USA (http://www.unstats.un.org/unsd/mi/mi_goals.asp).

One of the most important trends is the increasing likelihood that performance reports include subjective as well as objective measures. In the early

debates at the OECD, which led to the list of social indicators (OECD 1973), some were opposed to using subjective indicators on the grounds that they were relatively less reliable and valid than objective indicators, and that reports containing them might be regarded as referenda on some issues, which would tend to subvert standard democratic decision-making. So strong was the opposition to subjective indicators that only one such indicator (fear for personal safety) appears in the OECD list of 33 indicators. Today, anyone who reviews the past forty years of work on subjective indicators and the hundreds of studies showing sometimes modest and sometimes robust correlations between relatively objective and subjective indicators will perceive a need for both sorts of indicators.

Selected National Studies

Nations that have central statistical offices seem to have made the most progress in developing national performance indicators. The Australian report called *Measuring Australia's Progress*, produced by the Australian Bureau of Statistics (2002) is organized around four broad forms of wealth referred to as human capital, natural capital, produced and financial capital, and social capital. Within these fields, it has headline dimensions (e.g., health, work), headline indicators (e.g., life expectancy at birth, unemployment rate) and supplementary indicators. It is divisible into discrete, short reports, which is good, but lacks any subjective indicators. The capital approach" proposed by Smith, Simard and Sharpe (2001) in Canada is fairly well-developed in this Australian report.

The U.K. *Report by the Comptroller and Auditor General* (National Audit Office, 2000) is designed to help government agencies "to improve further their performance reporting by setting out guidance based on their own good practice in collecting and reporting performance information. . . .The report has been written in support of the Modernising Government agenda and in the context of the increased emphasis on using targets to improve performance and accountability through Public Service Agreements" (pp.1-2).

Performance and Potential 2001-02, by the Conference Board of Canada (2001) is a thoughtful report of "Canada's performance" on 40 social and economic indicators, partly in comparison with the performance of six other countries. "Benchmarking with other countries," the report says, "shows us what is possible – no one country is the best in all areas that we review" (p.iii). Indicators are gathered and performance is measured against "the overriding goal" of maintaining and enhancing "a high quality of life". From the point of view of determining public policy within a nation, state or city, I suppose the within-jurisdiction statistical trends are more important and useful than the between-jurisdiction trends, but this report has both. The United States is the top performer in three of the six broad areas reviewed in the report. There are relatively more detailed policy discussions in this report than in others, and authors of other reports may want to have a look at this one to get a sense of the appropriateness of such discussions in their reports. My own view, as expressed above, is that performance reports tend to be more useful for more people to the extent that they do not engage in public policy analyses. I see such reports as the statistical input for policy analyses, rather than the

place to carry out the analyses. Those who produce societal performance reports should not regard themselves or be advocates for anything but well-balanced, scientifically reliable and valid, and well-disseminated reports. This particular report pretty clearly has a pro-business bias and lacks subjective indicators.

Here in the United States, the report of the U.S. Interagency Working Group on Sustainable Development Indicators (2001) seems to have begun in 1996 in response to the President's Council on Sustainable Development. The Council existed from 1993 to 1999 and, among other things, produced a useful document for our purposes called *Sustainable America: A New Consensus for the Prosperity, Opportunity and a Healthy Environment for the Future* (1996). These authors recognize personal satisfaction as something to be achieved and sustained.

At this point in my review, a main point to be remembered is that **there is some tension between the task of providing a comprehensive report on the state of the nation and providing easily digestible, general-user friendly, timely reports.** The total picture requires a comprehensive report, but most potential users, most of the time will not be interested in the total picture. For most potential users, then, the reports should be relatively easily divisible with various parts distributed to carefully targeted audiences. It is also probably a good idea to use the services of some marketing agencies to help with the marketing aspects of the reports.

One way to get a thoroughly integrated set of economic, environmental and social accounts is to build separate systems of environmental and social accounts, and to connect them to national systems of economic accounts. The London Group on Environmental Accounting appears to be an international ad hoc group of practitioners that began meeting in 1993 to develop a system of environmental accounts (a so-called satellite system) that would complement the System of National Accounts (SNA). Meetings have continued periodically, with papers circulated and discussed, and a very sophisticated, very promising handbook called *System of Environmental and Economic Accounts* (SEEA) (London Group, 2002) is nearing completion. Authors of the handbook emphasize early on that although "the social dimension of sustainability" is important "for a well-rounded view of sustainable development, this is not a prime focus of the SEEA" (p.1-2). The National Research Council's Committee on National Statistics's panel report by Nordhaus and Kokkelenberg (1999) covers some of the same ground as that covered in the London Group report, and members of the panel interacted and shared information with members of the London Group.

The indexes of Social Health (Miringoff and Miringoff 1999), Genuine Progress (Cobb, Glickman and Cheslog 2001) and Economic Well-Being (Osberg and Sharpe 2002) are included in the Hagerty (2001) review. All of them are based on objective indicators, with Social Health focusing on the relatively vulnerable groups in the United States, and the other two assembling a richer collection of economic indicators than those found in the National Income and Product Accounts. They are worthwhile initiatives that illustrate the limitations of the National Accounts and provide useful models of

alternatives. In the long run, reports like the SEEA combined with a proper set of social accounts will achieve national and international support, but these more modest efforts will still be useful. In Canada, for example, groups have gathered on the east and west coasts to construct Genuine Progress Atlantic and Genuine Progress Pacific indicators.

Specific Domain Reports or Accounts

The OECD (2000) report called *A System of Health Accounts* is a good example of one type of satellite accounting system. It does not attempt to do anything but provide a "core set of financial data" covering "health care spending" by constructing "a conceptual basis of statistical reporting rules and. . .a newly developed International Classification for Health Accounts (ICHA) which covers three dimensions: health care by functions of care; providers of health care services; and sources of funding " (p.3). Comprehensive and detailed as it is, it is not a general system of health accounts in the sense of covering economic, environmental and social issues related to health. As a set of financial accounts (a bookkeeping system), it tells us how much money is spent on health care, where it comes from, where it goes to and for what purpose. It does not tell us what "good" was actually accomplished in the sense of how many people of what sort (rich, poor, old, etc.), suffered what health ailment, received what treatment with what result, and with what measurable change in the quality of their health or life.

In contrast to *A System of Health Accounts*, the U.S. Department of Health and Human Services (2000) report called *Healthy People 2010, Volume 1* focuses on the specific goals of increasing "the quality and years of healthy life" and eliminating "health disparities" (p.1). The report has 28 focus areas (Exhibit 28) and 467 specific objectives (Exhibit 29 gives the specific number by source), with the latter focusing on the determinants of health. It includes objective and subjective indicators from all States, the District and Puerto Rico. Really, I do not know what more one could want from a comprehensive health report, including the production process and the product, apart from a detailed financial accounting system as found in the other report. If we had a consultation process like the *Healthy People 2010* process for a comprehensive societal performance report, that would be an excellent foundation.

The Heinz Center (2002) report called *The State of the Nation's Ecosystems: Measuring the Lands, Waters, and Living Resources of the United States* provides an excellent example of the first of a projected "series of periodic reports on the lands, waters, and living resources of the United States. . .prepared *for* decision makers, opinion leaders, and informed citizens who seek an authoritative, comprehensive, and succinct overview of what the nation most needs to know about the changing state of its ecosystems. . .prepared *by* experts from government, the private sector, environmental organizations, and academia through an intense five-year collaborative process. This involved hundreds of contributors and reviewers from all four sectors. . .[and]. . .this process presents a unique system of indicators that is simultaneously *relevant* to contemporary policy and decision making, *balanced* and *unbiased* in what it chooses to report on, and *scientifically credible* in the data it presents. . . ." (p.viii).

The *Commonwealth of Virginia Performance Management Annual Report* (2001) is a collection annual reports of state agencies giving "strategic planning information and performance measurement results for the preceding fiscal year" (p.i). It provides a good illustration of agency-level performance reporting in the U.S.A., similar to what is in the U.K. report, but it is not a comprehensive collection of key societal indicators. However, in the Hagerty (2001) review, there is an evaluation of the annual quality-of-life in Virginia survey carried out since 1992 by the Virginia Tech Center for Survey Research. It complements data presented annually in the *Virginia Statistical Abstract* with subjective indicators from the local, regional and state level. One might, then, combine information from these surveys with information from other sources to produce a comprehensive performance report for Virginia. This is the sort of approach taken in the German system mentioned above.

The report by Abbott Strategies (2002) is similar to the Virginia management reports only aimed at a municipal level of government, namely, the City of Seattle government. It applies a so-called Balanced Scorecard approach to performance management, which assumes that "improvements in learning and growth [by employees]. . .drive improvements in internal business processes [meeting 'customers' expectations], which in turn enhance the customer's experience with a product or service [customer satisfaction], resulting in strong financial results [presumably reduced costs in the public sector]" (p.7). It is unclear to me that there is anything to the Balanced Scorecard approach than new language. Two theses dealing with public sector performance, T. Brooks *Public Sector Performance Systems* and J.J. Kubala *Leadership Strategies of Performance Measures Impacts in Public Sector Management: A National Content Analysis*, have some interesting things to say about managing public sector agencies with performance measures.

Minnesota Milestones: A Report Card for the Future (1992) was prepared by a private consulting firm, Minnesota Planning, under the guidance of the Governor's Minnesota Milestones Advisory Committee. The report has 79 milestones related to 20 broad goals. There are only four subjective indicators telling us how people feel about aspects of their lives.

The report by the Southern California Association of Governments (SCAG), *State of the Region 2001: Measuring Progress in the 21st Century*, is the fourth in a series produced by a metropolitan planning organization covering "184 cities in the six Southern California counties of Imperial, Los Angeles, Orange, Riverside, San Bernadino and Ventura" (p.1). The work was directed by a "Benchmarks Task Force consisting of elected officials and representatives from the business sector and academia" who selected "performance indicators. . .to assess the region's progress toward meeting the goals outlined in SCAG's Regional Comprehensive Plan and Guide" (p.1). It has several maps that are probably attractive in color but less interesting in black and white, and it has no subjective indicators.

The Global Reporting Initiative (2002) report called *2002 Sustainability Reporting Guidelines* is "a joint initiative of the U.S. non-governmental organization

Coalition for Environmentally Responsible Economies (CERES) and United Nations Environment Program with the goal of enhancing the quality, rigor and utility of sustainability reporting" (p.i). The guidelines are intended for use by corporate, governmental and non-governmental organisations, and "organise 'sustainability reporting' in terms of economic, environmental, and social performance (also known as the 'triple bottom line')" (p.9). Its generic process guidelines are similar to but more detailed than those recommended by the Bellagio Principles and its suggested indicators seem to be a bit defuse or disjointed because they are aimed at for-profit and not-for-profit organizations.

The Oregon Progress Board (2001) report, *Achieving the Oregon Shines Vision: The 2001 Benchmark Performance Report*, is the sixth biennial report on progress made in achieving 90 benchmarks by 2000. The foundation of the work is called a "circle of prosperity", and the central idea is illustrated in Exhibit 32. Three basic goals of quality jobs, caring communities and sustainable surroundings each have objectives, key benchmarks and ordinary benchmarks, and results on each benchmark are assigned a grade from A to F. Benchmarks are added and deleted to accommodate changes in living conditions. Although 14 of the 90 benchmarks are based on data from the Oregon Population Survey, I counted only two clear cases of subjective indicators, one giving self-reported health status and one about feelings of community connectedness. The process leading to the report is not described in this volume. So one can not judge how inclusive or transparent it was and is. Nevertheless, the product is good, especially the brief but clear discussions of each indicator in itself and in relation to the others.

The report called *The Wisdom of Our Choices: Boston's Indicators of Progress, Change and Sustainability 2000*, by the Boston Foundation (2000), is notable for a vision statement without any specific mention of economic development but for great emphasis on culture and the arts (Exhibit 35). There is no evidence of what Bertram Gross called the 'new philistinism' in the Boston report. Each of eight broad goal areas has objective and subjective measures, and a short sentence describes how Boston is doing on each measure. Each chapter has a vision statement, a narrative account of the historical, regional, citywide and neighborhood contexts, a review of remaining challenges, and an array of statistical tables, charts and maps. We have already seen some interesting contrasts in objective and subjective indicators related to crime, fear and trust in Boston. This is an excellent comprehensive report. I don't know if it is reasonable to imagine that an equally comprehensive report for the nation as a whole might be constructed. One could hardly reach down to the neighborhood level for the country as a whole, except perhaps every 5 to 10 years in combination with a census. However, given such temporal spacing of reports, they may not be very useful for strategic planning.

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